

# Financial Results for 1Q for the Fiscal Year Ending March 31, 2011

July 28, 2010  
NEC Corporation  
(<http://www.nec.co.jp/ir/en>)

To be a leading global company  
leveraging the power of innovation  
to realize an information society  
friendly to humans and the earth

**NEC Group Vision 2017**

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Financial Forecast (Appendix)

# I. Financial Results for 1Q

# Summary of Financial Results for 1Q

(Billions of Yen)

	1st Quarter		
	FY10/3 Actual	FY11/3 Actual	YoY
Net Sales	778.5	667.5	-14.2%
Operating Loss	-40.0	-23.2	16.8
% to Net Sales	-	-	
Ordinary Loss	-45.0	-40.5	4.6
% to Net Sales	-	-	
Net Loss	-33.8	-43.1	-9.3
% to Net Sales	-	-	
Free Cash Flow	-47.5	-42.2	5.2

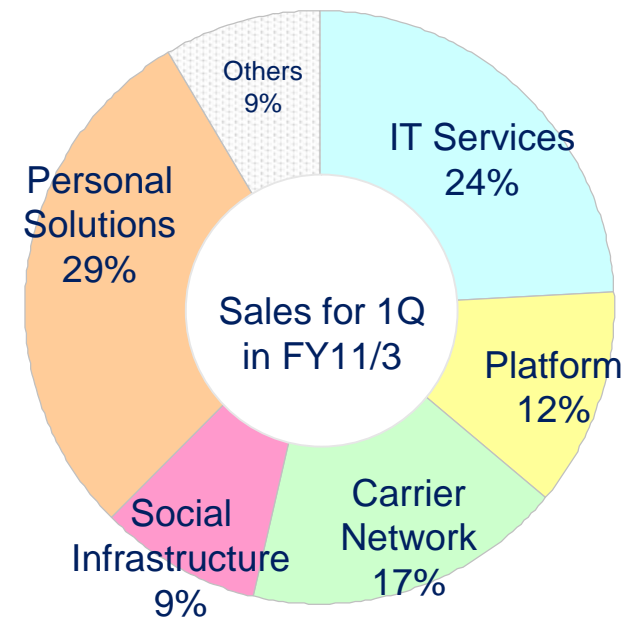
(Ref): Average exchange rate for 1Q of FY11/3

1\$= ¥91.88 1€= ¥120.97

# Summary of Financial Results for 1Q by Segment

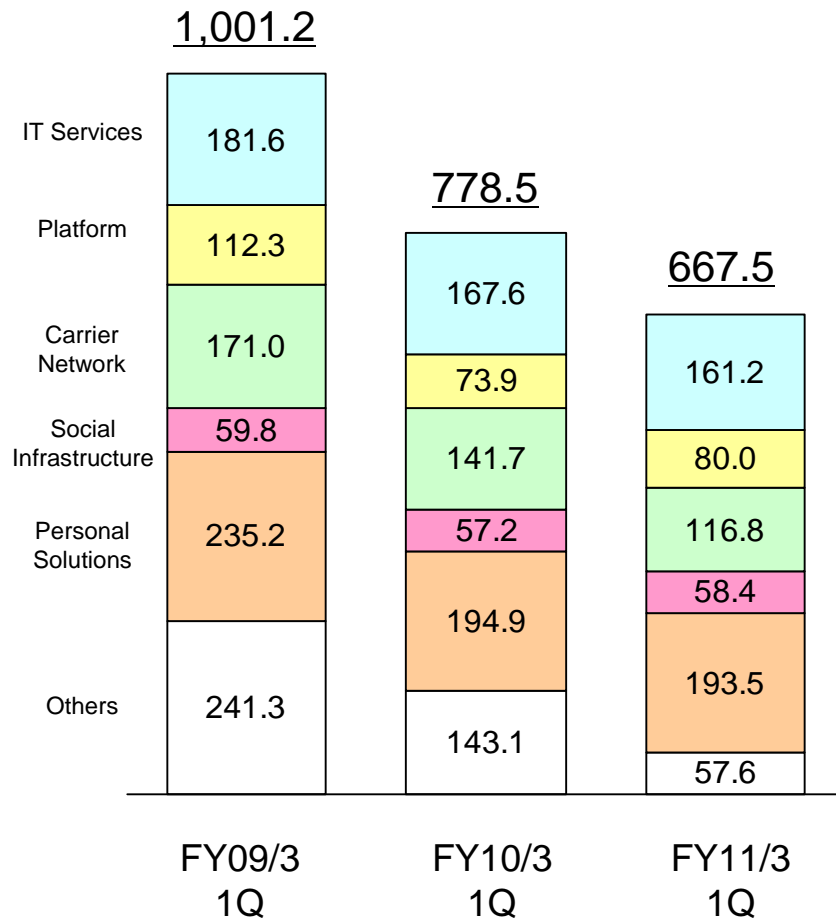
(Billions of Yen)

		1st Quarter			
		FY10/3 Actual	FY11/3 Actual	YoY	
IT Services	Net Sales	167.6	161.2	-3.8%	
	Operating Loss	-0.6	-5.7	-5.1	
	% to Net Sales	-	-		
Platform	Net Sales	73.9	80.0	8.3%	
	Operating Loss	-14.1	-4.4	9.7	
	% to Net Sales	-	-		
Carrier Network	Net Sales	141.7	116.8	-17.6%	
	Operating Income/Loss	0.5	-6.0	-6.5	
	% to Net Sales	0.4%	-		
Social Infrastructure	Net Sales	57.2	58.4	2.0%	
	Operating Income/Loss	-0.7	0.3	1.0	
	% to Net Sales	-	0.6%		
Personal Solutions	Net Sales	194.9	193.5	-0.7%	
	Operating Income/Loss	8.9	-0.4	-9.3	
	% to Net Sales	4.6%	-		
Others	Net Sales	143.1	57.6	-59.8%	
	Operating Loss	-24.7	-1.1	23.5	
	% to Net Sales	-	-		
Eliminations/Unclassifiable expense		Operating Loss	-9.4	-6.0	3.5
Total	Net Sales	778.5	667.5	-14.2%	
	Operating Loss	-40.0	-23.2	16.8	
	% to Net Sales	-	-		



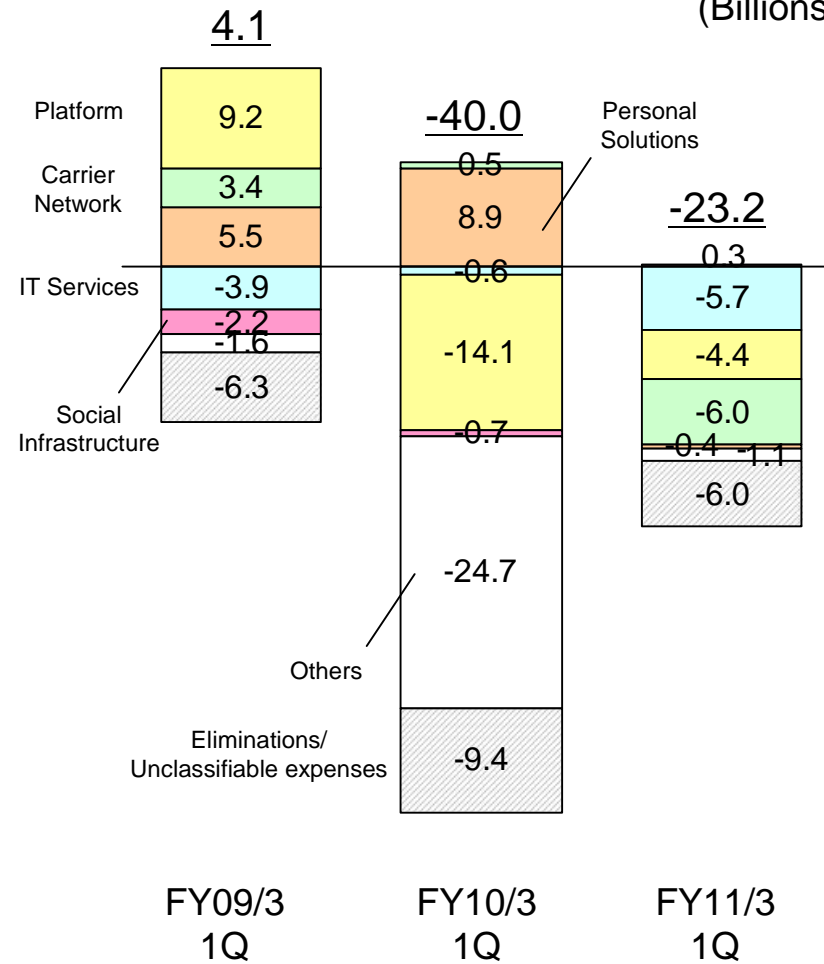
# Results by Segment for 1Q

## Net Sales



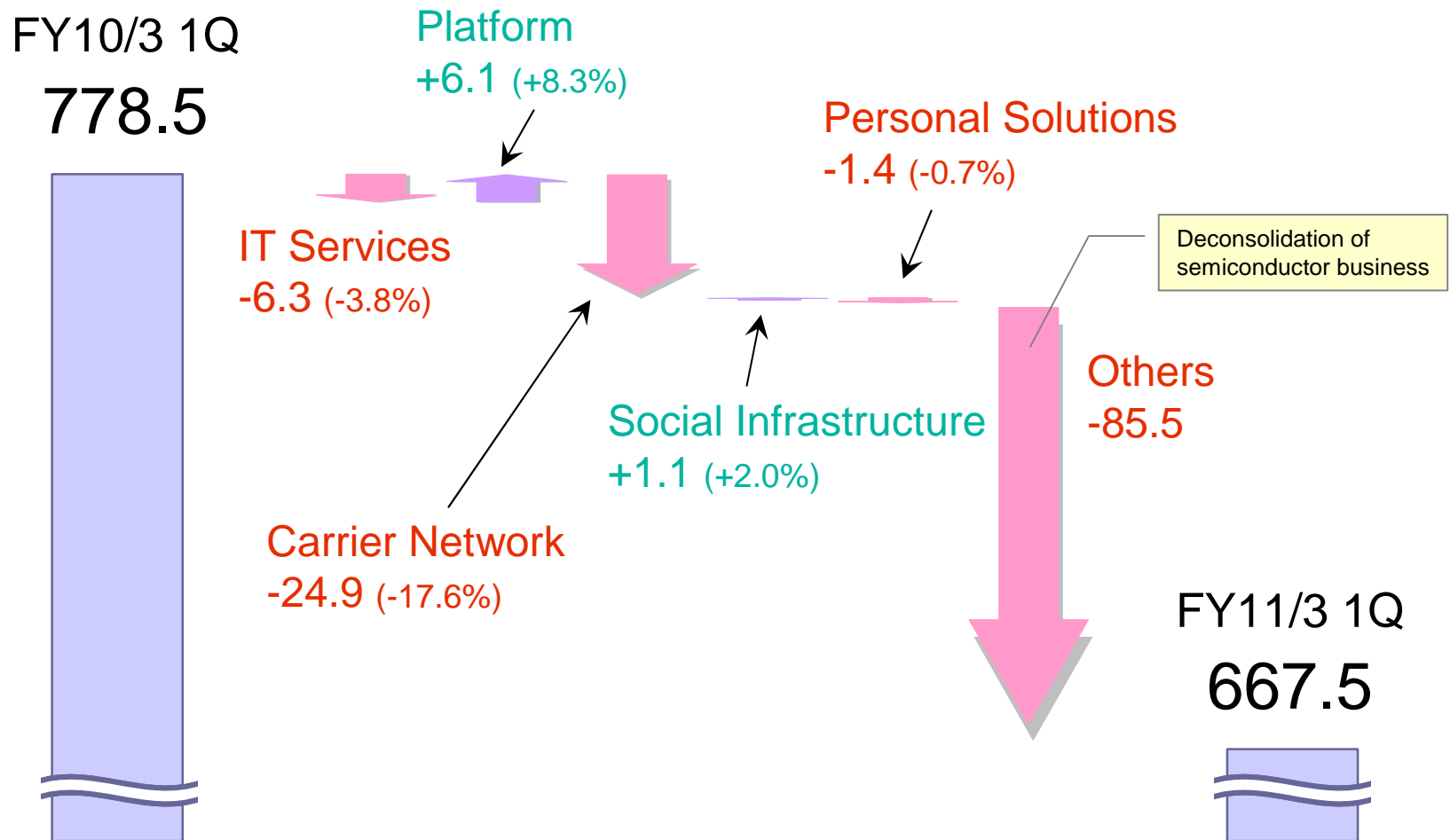
## Operating Income/Loss

(Billions of Yen)



# Sales Change (Year on Year)

(Billions of Yen)





# Operating Income/Loss Change (Year on Year)

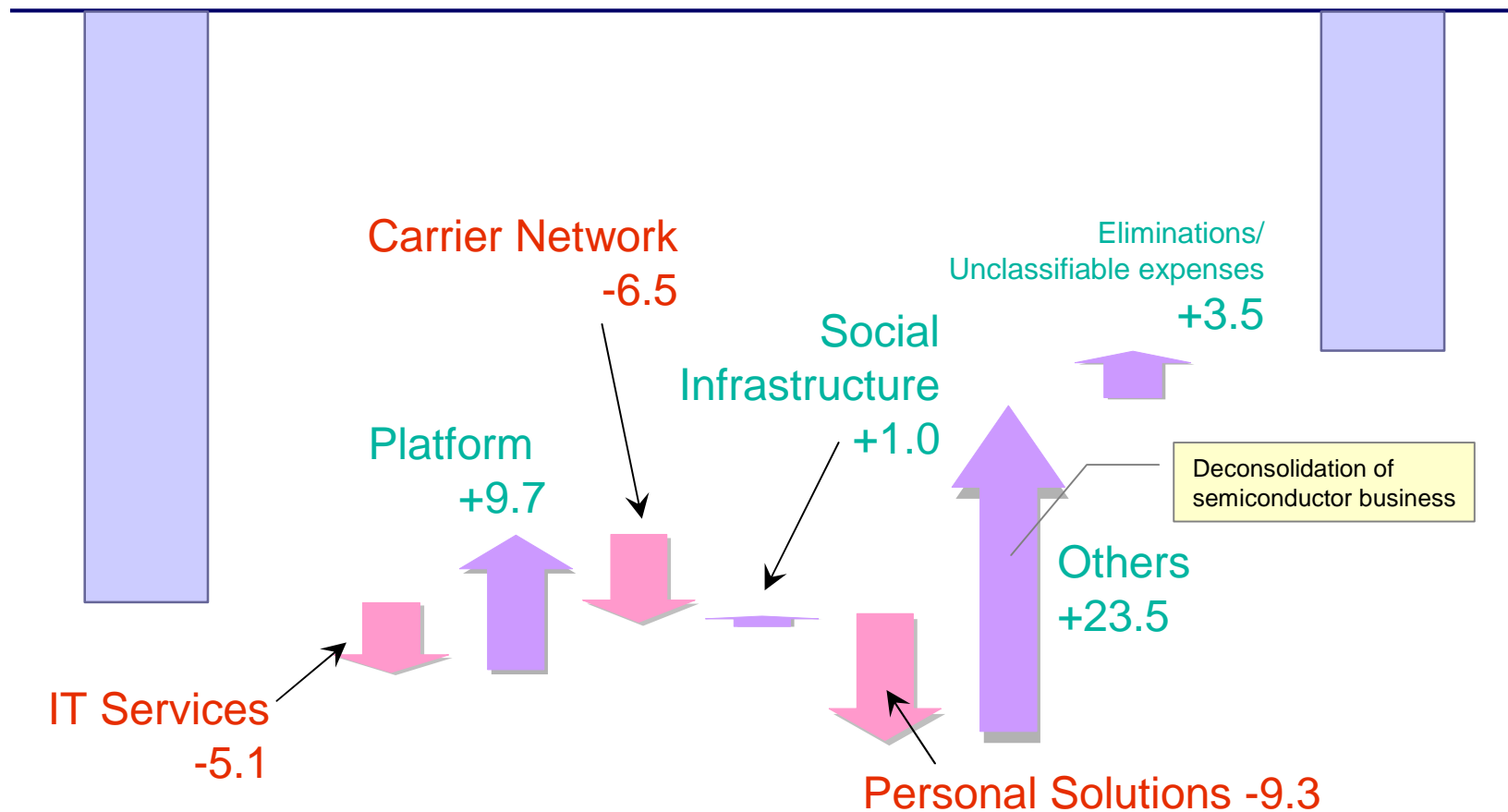
(Billions of Yen)

FY10/3 1Q

-40.0

FY11/3 1Q

-23.2



# Net Income/Loss Change (Year on Year)

(Billions of Yen)

FY10/3 1Q

-33.8

FY11/3 1Q

-43.1

Improvement of  
operating income/loss  
+16.8

Equity in losses of affiliates -10.5

Deterioration of  
non-operating loss  
-12.2

Loss on change in equity -6.0  
business structure  
improvement expenses etc

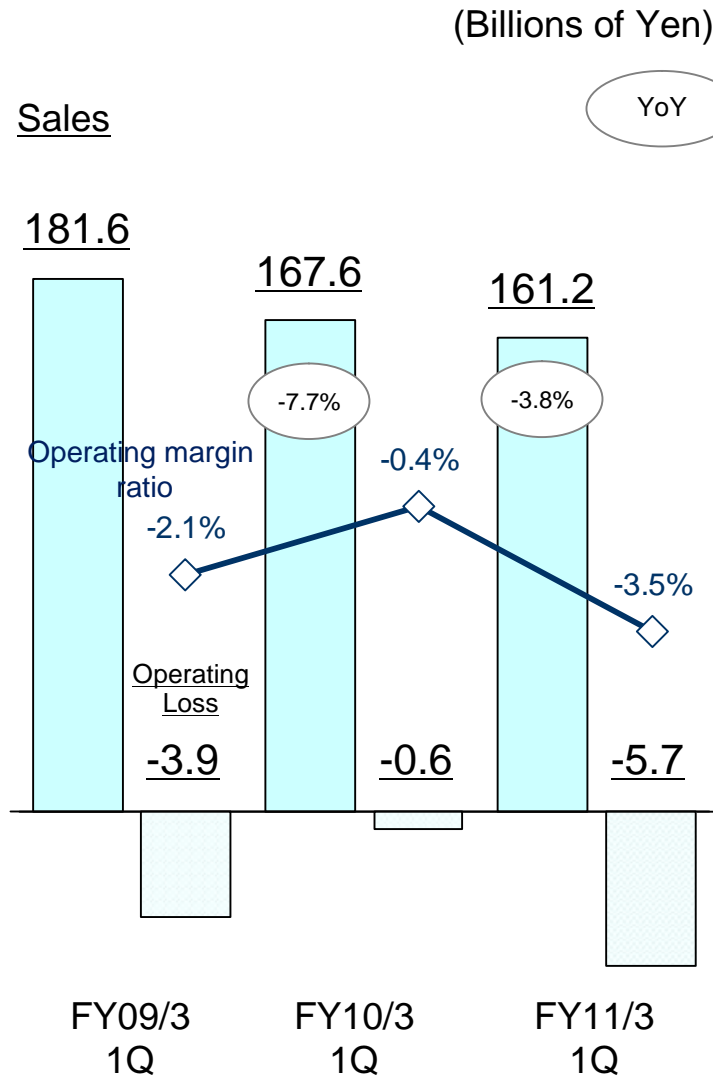
Deterioration of  
special income/loss  
-11.2

Taxes and Minority Interests  
-2.6

Others (Deconsolidation of semiconductor business)	+23.5
Platform	+9.7
Personal Solutions	-9.3
Carrier Network	-6.5

# Results by Segment

# IT Services Business

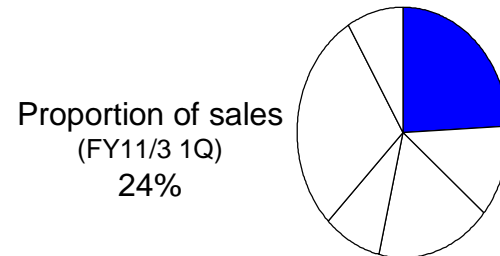


**Sales** 161.2 (-3.8%)

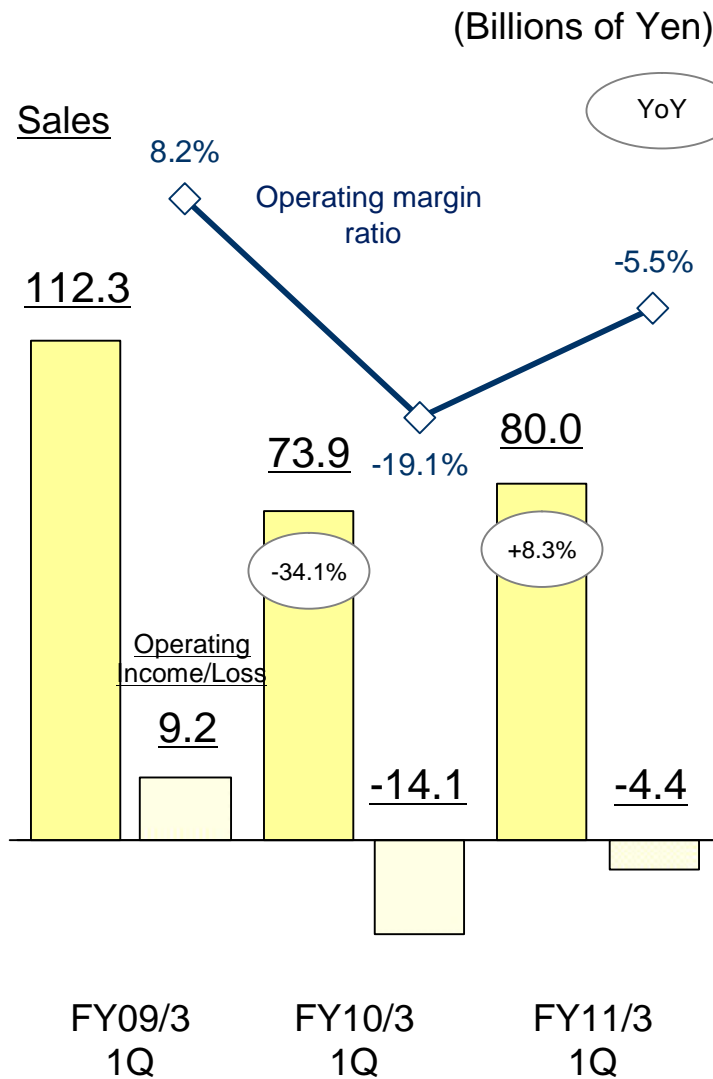
- ▽ SI Services :
  - Declined due to continual IT investment restraint
  - Trend toward improvement in the finance and manufacturing sectors
- ▽ Outsourcing/Support Services :
  - Declined in the field of support services
  - Stable sales in the outsourcing business

**Operating Loss** -5.7 (-5.1)

- ▽ Declined due to a decrease in sales and the increase of investment in the cloud business for growth



# Platform Business



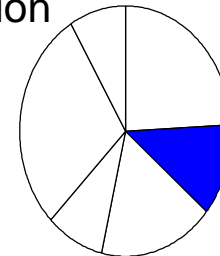
**Sales** 80.0 (+8.3%)

- △ Software :  
Increased mainly from virtualization related system integration and the security field. IT investment restraint continued
- ▷ Hardware :  
Remained at the same level as the previous year due to the steady sales in IA servers and UNIX servers
- △ Enterprise Network :  
Increased due to the gradual recovery of investment in domestic and international markets

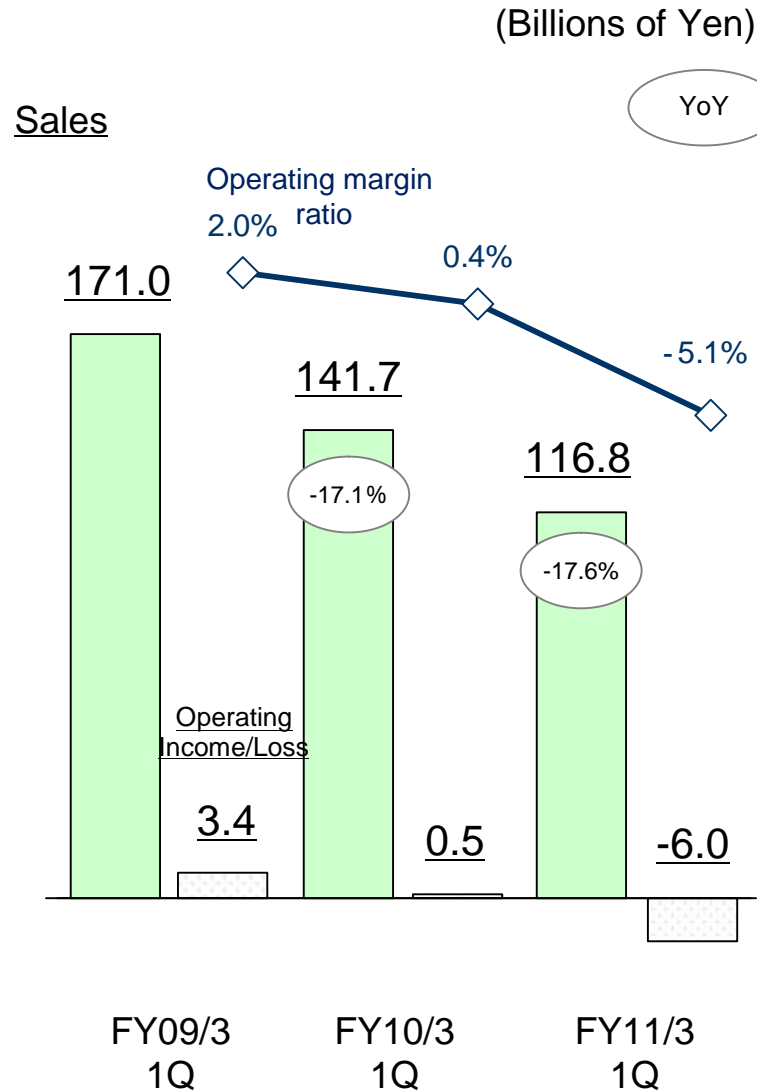
**Operating Loss** -4.4 (+9.7)

- △ Significant improvement from increased sales and continued cost reduction

Proportion of sales (FY11/3 1Q)  
12%



# Carrier Network Business



**Sales** 116.8 (-17.6%)

▽ Japan :

Decreased due to passing the peak of NGN related deployment etc., while sales in the wireless area were at the same level as last year.

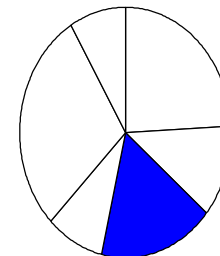
▽ Overseas :

Declined due to a delay in the signing of a submarine cable system contract.

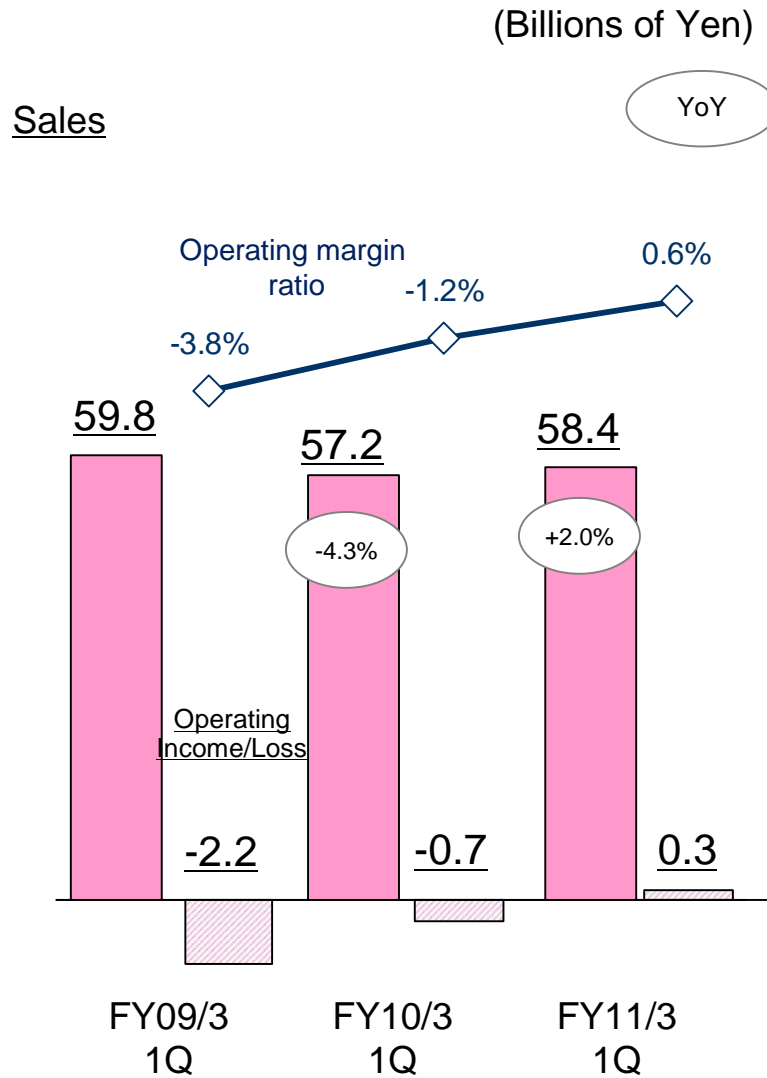
**Operating Loss** -6.0 (-6.5)

▽ Declined due to sales decreases, mainly in submarine cable systems

Proportion of sales (FY11/3 1Q) 17%



# Social Infrastructure Business



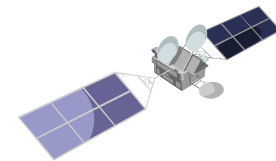
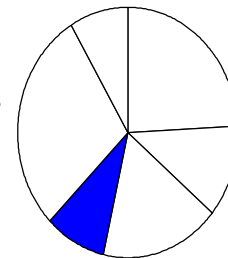
**Sales** 58.4(+2.0%)

△ Increased in the field of social systems such as transportation and fire prevention.

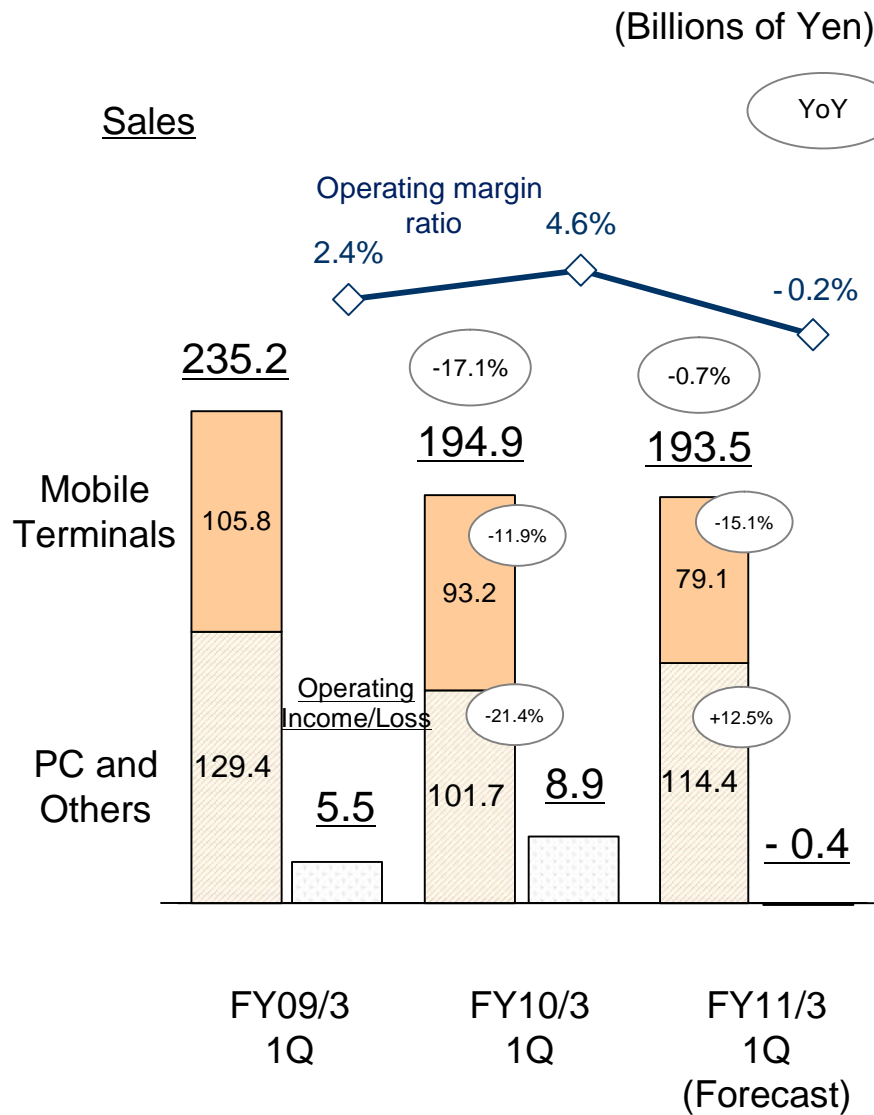
**Operating Income** 0.3(+1.0)

△ Improved due to sales increases and enhanced cost reduction activities.

Proportion of sales (FY11/3 1Q)  
9%



# Personal Solutions Business



**Sales** 193.5 (-0.7%)

△ Mobile terminals:

Decreased due to intensifying competition and a sluggish Japanese market

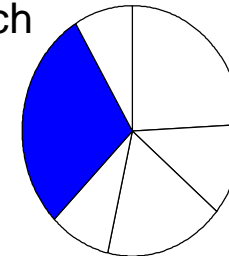
▽ PC and Others

Increased sales for business products (PCs, Displays) and high-value added PCs for consumers

**Operating Loss** -0.4 (-9.3)

▽ Decreased due to the sales decrease of mobile terminals and increased development costs for new devices such as LifeTouch

Proportion of Sales (FY11/3 1Q) 29%





# Summary of Financial Results for 1Q

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## Sales:

Fell short compared to the original plan, mainly in the Carrier Network segment

## Operating Income/Loss:

Exceeded the original plan as a company due to the increases in the Platform and Social Infrastructure segments  
Fell short slightly in the Carrier Network segment

Accelerated the implementation of concrete measures to expand the cloud business, global business and new business, which are key areas for achieving V2012



**Favorable start for achieving 1H/full year forecast**

## II. Financial Forecast Summary

# Business Operation Policy for FY2010

FY2010 is the first year toward achieving “V2012”

V2012 is a program for personal and organizational innovation

In order for FY2010 to successfully move towards V2012, we need to be vigilant in our observation and improvement of 3 mid-term growth plan measures

Expand Global business in 5 regions

Expand Cloud business (integrated IT/NW Solution)

Expand New business

(e.g.) automotive battery business, new personal devices etc.

**Aim for 100 billion yen in operating income  
and 15 billion yen in net income**

\* Forecast as of July 28, 2010 (Note: Unchanged from previous forecasts of May 12)

# Summary of Financial Forecast

(Billions of Yen)

	1st Half			Full Year			Difference from May 12
	FY10/3 Actual	FY11/3 Forecast(*)	YoY	FY10/3 Actual	FY11/3 Forecast(*)	YoY	
Net Sales	1,653.7	1,500.0	-9.3%	3,583.1	3,300.0	-7.9%	0
Operating Income/Loss % to Net Sales	-37.7 -	5.0 0.3%	42.7	50.9 1.4%	100.0 3.0%	49.1	0
Ordinary Income/Loss % to Net Sales	-49.9 -	-20.0 -	29.9	49.4 1.4%	70.0 2.1%	20.6	0
Net Income/Loss % to Net Sales	-43.6 -	-36.0 -	7.6	11.4 0.3%	15.0 0.5%	3.6	0
Net Income/Loss per share(Yen)	-21.60	-13.85	7.75	5.04	5.77	0.73	0.00
Free Cash Flow	-53.8			93.6	-50.0	-143.6	0

(Ref): Assumed exchange rate for FY11/3 1\$=¥90, 1€=¥110

\* Forecast as of July 28, 2010 (Note: Unchanged from previous forecasts of May 12)

# Summary of Financial Forecast for 1H/Full Year by Segment

(Billions of Yen)

		1st Half			Full Year		
		FY10/3 Actual	FY11/3 Forecast(*)	YoY	FY10/3 Actual	FY11/3 Forecast(*)	YoY
IT Services	Net Sales	377.3	380.0	0.7%	866.3	890.0	2.7%
	Operating Income	9.6	10.0	0.4	53.2	56.0	2.8
	% to Net Sales	2.5%	2.6%		6.1%	6.3%	
Platform	Net Sales	166.2	175.0	5.3%	373.7	380.0	1.7%
	Operating Income/Loss	-13.5	-4.0	9.5	-1.7	9.0	10.7
	% to Net Sales	-	-		-	2.4%	
Carrier Network	Net Sales	308.6	310.0	0.5%	627.4	670.0	6.8%
	Operating Income	12.4	14.0	1.6	31.3	40.0	8.7
	% to Net Sales	4.0%	4.5%		5.0%	6.0%	
Social Infrastructure	Net Sales	129.7	135.0	4.1%	316.6	315.0	-0.5%
	Operating Income	2.7	3.0	0.3	21.7	15.0	-6.7
	% to Net Sales	2.1%	2.2%		6.9%	4.8%	
Personal Solutions	Net Sales	362.3	400.0	10.4%	737.7	830.0	12.5%
	Operating Income	8.2	4.0	-4.2	18.9	16.0	-2.9
	% to Net Sales	2.3%	1.0%		2.6%	1.9%	
Others	Net Sales	309.6	100.0	-67.7%	661.4	215.0	-67.5%
	Operating Income/Loss	-37.6	0.0	37.6	-44.9	4.0	48.9
	% to Net Sales	-	0.0%		-	1.9%	
Eliminations/Unclassifiable expense	Operating Loss	-19.5	-22.0	-2.5	-27.5	-40.0	-12.5
Total	Net Sales	1,653.7	1,500.0	-9.3%	3,583.1	3,300.0	-7.9%
	Operating Income/Loss	-37.7	5.0	42.7	50.9	100.0	49.1
	% to Net Sales	-	0.3%		1.4%	3.0%	

\* Forecast as of July 28, 2010

# IT Services Business Situation

Promote the services business, global business and create new business in tandem with the expansion of the SI business



Sector	Business situation
Government	Promote proposals for institutional reform based on the “New Growth Strategy” and “New Information and Communications Technology Strategy”
Public/Medical	New IT investment tends to be restrained due to decreases in tax revenues and in response to legal revisions the year after next. Focusing on proposals for core system reconstruction, and the accommodation of administrative and financial reform, including the migration to cloud systems
Finance	While finance sector indexes are continuously improving, the recovery of IT investment is still progressing slowly. Aim to strengthen sales of the next-generation store-terminal, “NAVUTE,” and to promote the service business by utilizing cooperative systems
Telecom/Media	Continuing IT investment restraint in both the Telecom and Media sectors in Japan. Although global telecom carriers are receptive to starting new services, deliberations are still required to make investment decisions. Strengthen new business such as cloud services for global carriers and digital signage
Manufacturing	Increasing international demand in such industries as automobiles and electronics. IT investment is expanding in emerging markets. Strengthen proposals for “Cloud-oriented service platform solutions” as reflected in the reform of NEC’s IT systems
Retail/Service	Stable IT investment demand, especially in retail stores and fields close to customers. Strengthen new proposals for EC, CRM and global POS business

# Carrier Network Business Overview

- Expand new business (Wireless Broadband Access, Services & Management)
- Further enhance core overseas business (PASOLINK, submarine cable systems)  
Create business for the future
- Maintain and strengthen a leaner earnings structure

	Business situation
Fixed line (in Japan)	Efforts to secure investment from carriers mainly in the Service & Management field. NGN area deployment surpasses its peak
Wireless (in Japan)	Expand Wireless Broadband Access( LTE, WiMAX, femtocell) and the Services & Management business. Promote greater investment from carriers through smart phones demand
Fixed line (overseas)	Aim to receive early orders and to secure large-scale projects
Wireless (overseas)	PASOLINK; enhance our competitiveness by launching new products. Expand new business such as Wireless Broadband Access services.

# Personal Solutions Business Overview

Business situation	
<p>Mobile Terminals</p>  <p><small>iPhone STYLE series* H-018</small></p>	<p>Japanese market growth is expected to be almost flat year-on-year due to the continuing severe market conditions.</p> <p>Expect to increase sales due to the integration of the mobile terminal business and the promotion of new products.</p>
<p>PC and Others</p> 	<p>PC market size in Japan is steady and expected to expand year-on-year.</p> <p>Expect to increase sales in products for enterprises ( PCs, displays, etc.) and High value-added PCs for consumers (Blu-ray disk equipment, digital terrestrial broadcast etc.) backed by the recovery of the enterprise market and consumer confidence.</p> <p>Developed the Android-based cloud device "LifeTouch" (7 inch screen and lightweight).</p> <p>Strengthen the business for liaising with BIGLOBE services and implementing vertically integrated services for enterprises.</p>

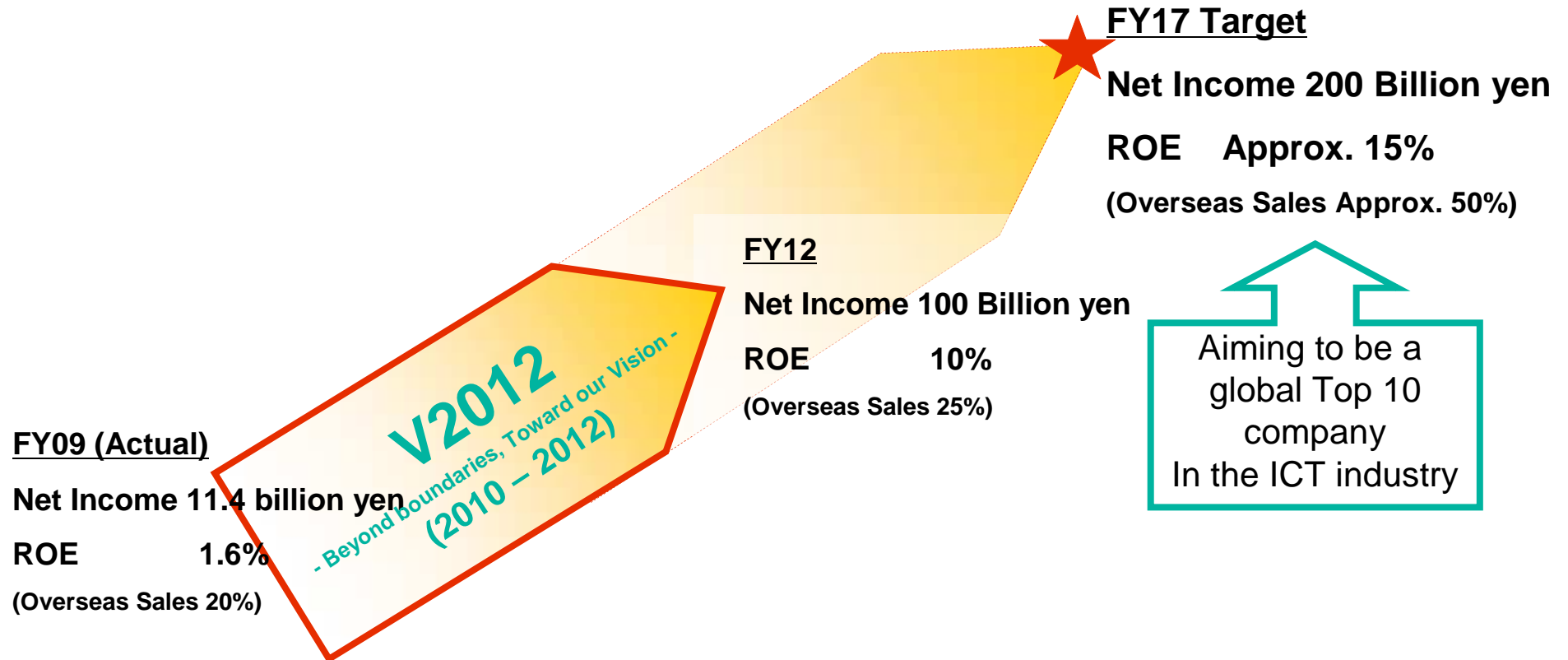
\* Forecast as of July 28, 2010



# NEC Group Vision 2017 and V2012

**“V2012” is a milestone for achieving the NEC Group Vision 2017**

**NEC Group Vision 2017**  
 To be a leading global company leveraging the power of innovation to realize an information society friendly to humans and the earth



## <Ref.> Cloud Service Activities / Customers

### Cloud services launched by industry

- SaaS electronic chart system for small hospitals
- Cloud services for hotels
  - Cloud services that include reservation systems, customer management systems, digital signage, voice communication systems, etc.
- Cloud services for the housing industry
  - Provide SaaS services with Sumitomo Forestry Co, Ltd.
- Cloud services for financial agencies
  - Provide business systems for life insurance with Sumitomo Life Information Systems Co., Ltd.

### Started Ticketless services at the SHIKI THEATRE COMPANY

- Cloud services enabled the system to support "QR code with security functions"

### Providing cloud services for the asset management system for the Sumitomo Life Insurance Company



# <Ref.> Global Business Activities / Customers

Enhanced business structure for the Middle East and Africa

- Established NEC Telecommunication & Information Technology Ltd. in Turkey

Launched medical solutions business in China

- Joint development and sale of package software for the Medical industry with Chongqing ZhongLian Information Industry Co., LTD.

Digital signage solutions in Korea

- Formed digital signage sales alliance with South Korea's leading distribution company "Shinsegae I&C Co., Ltd."

Won the expansion project for the APCN2 optical submarine cable system

PASOLINK selected by Slovenian Broadcaster

Won the POS system from the Guangzhou Baiyun International Airport in China



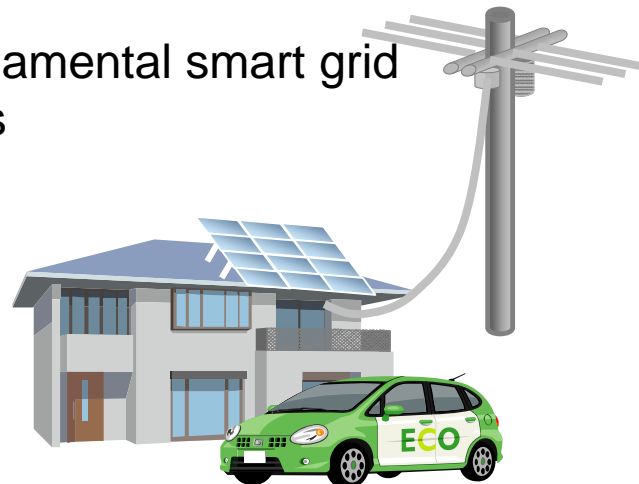
## <Ref.> New Business Activities

Electrodes for automotive lithium-ion batteries are in mass production

- Full development of the environment and energy business focused on automotive batteries

Started field trial of transfer blocking system for distributed power with the Chugoku Electric Power Co., Inc.

- Testing fundamental smart grid technologies



Started trials of the “LifeTouch” cloud-device with customers (Exhibited at "Interop Tokyo 2010")

- Android-based cloud device featuring an optimized user interface for B to B to C services (will be released in this autumn)



Empowered by Innovation

**NEC**



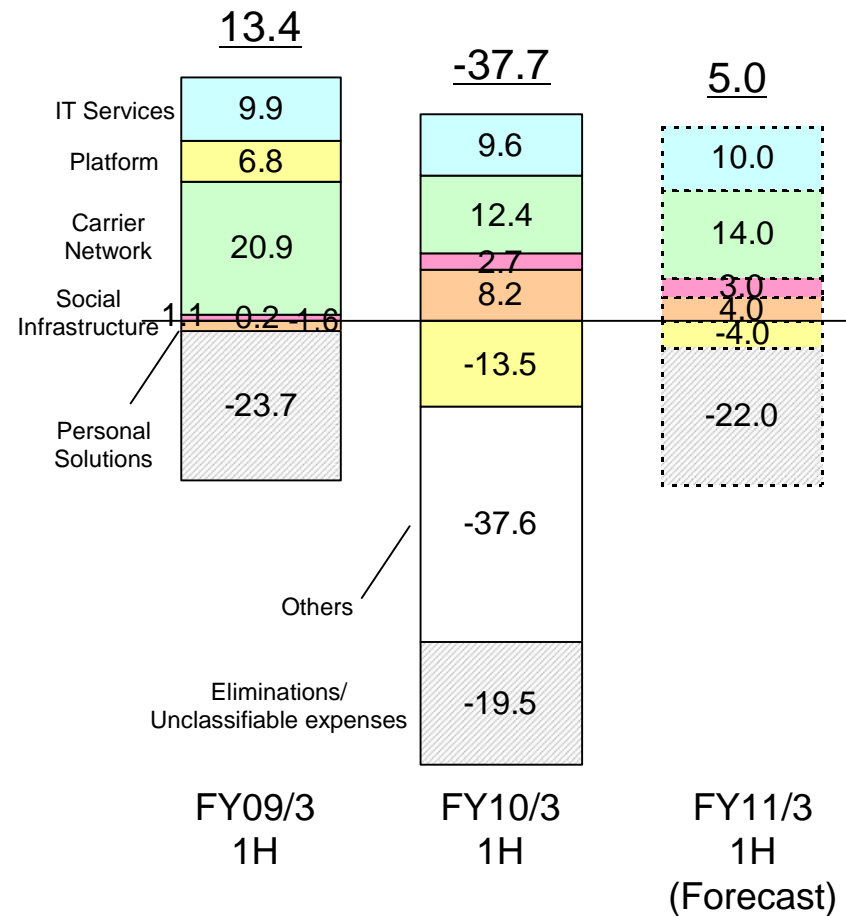
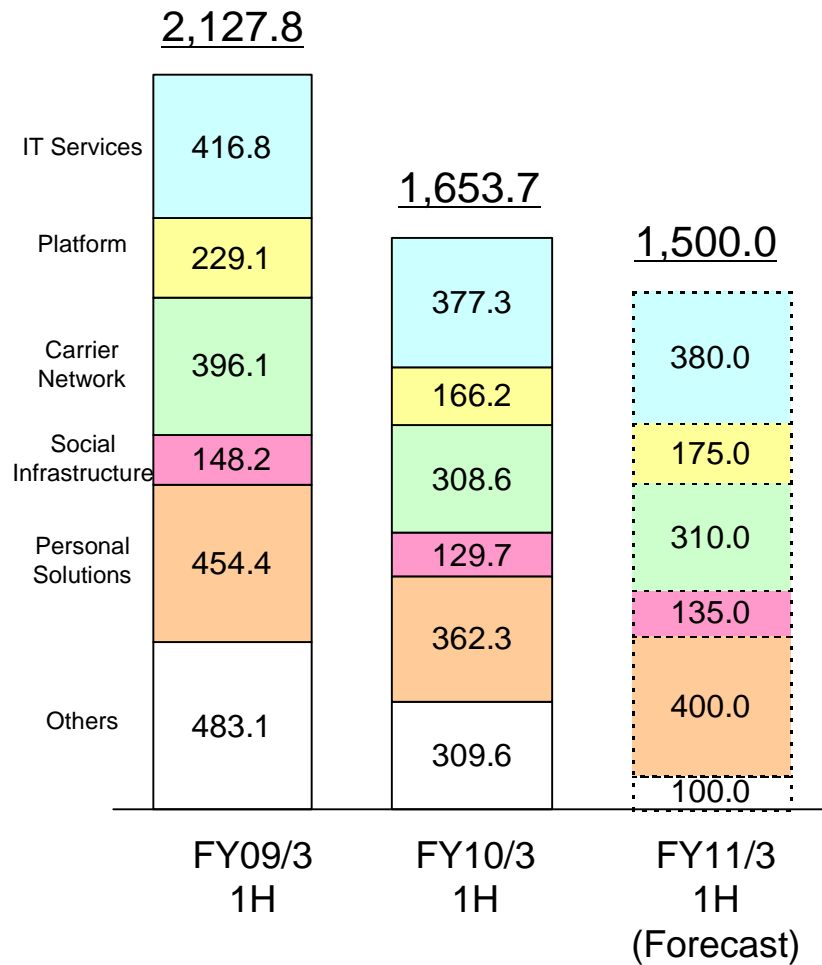
< Ref. > Financial Forecast (Appendix)

# Financial Forecast for 1H by Segment

(Billions of Yen)

Net Sales

Operating Income/Loss



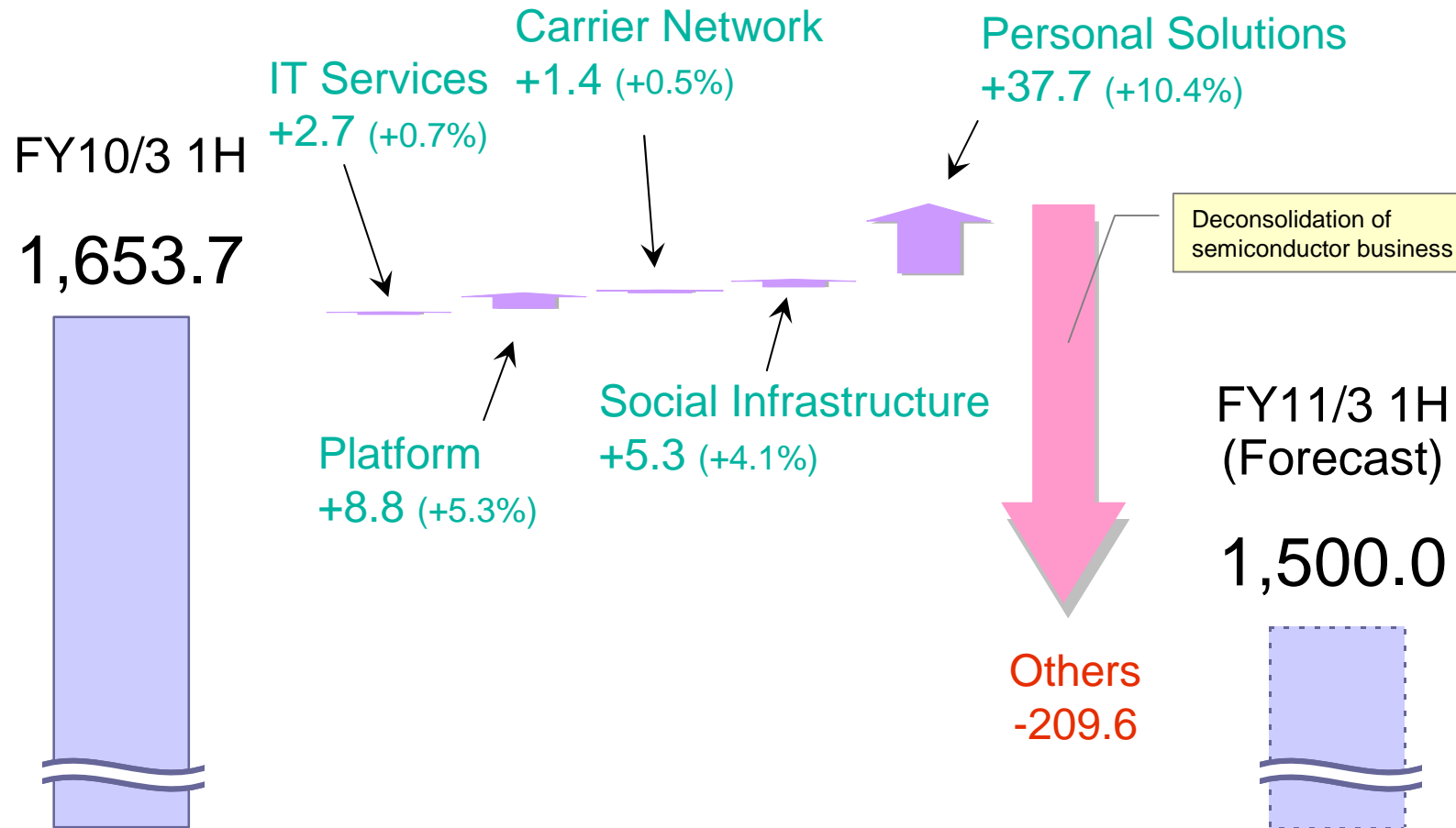
\* Forecast as of July 28, 2010



# Sales Change (Year on Year)

1H Forecast

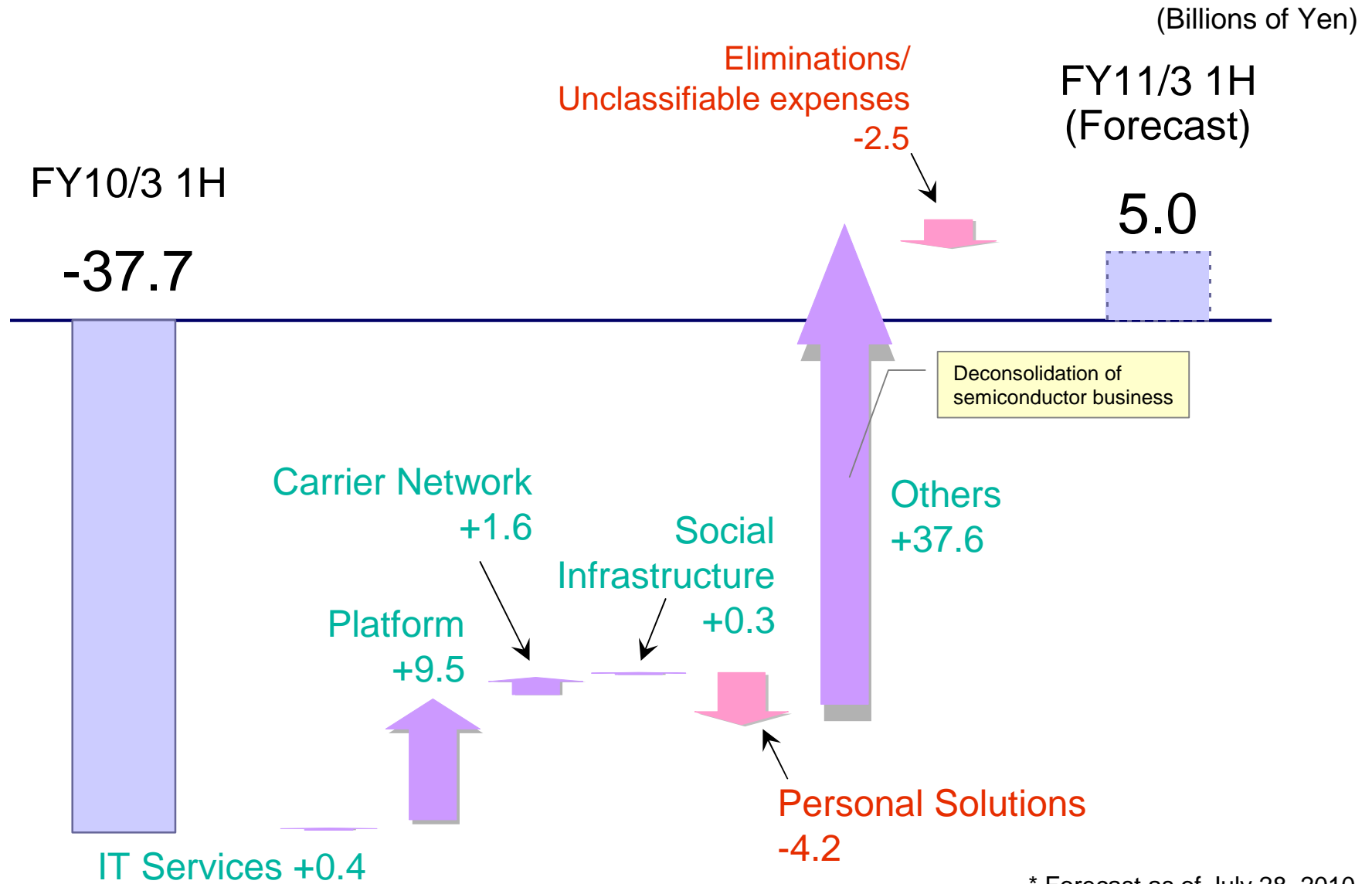
(Billions of Yen)



\* Forecast as of July 28, 2010

# Operating Income/Loss Change (Year on Year)

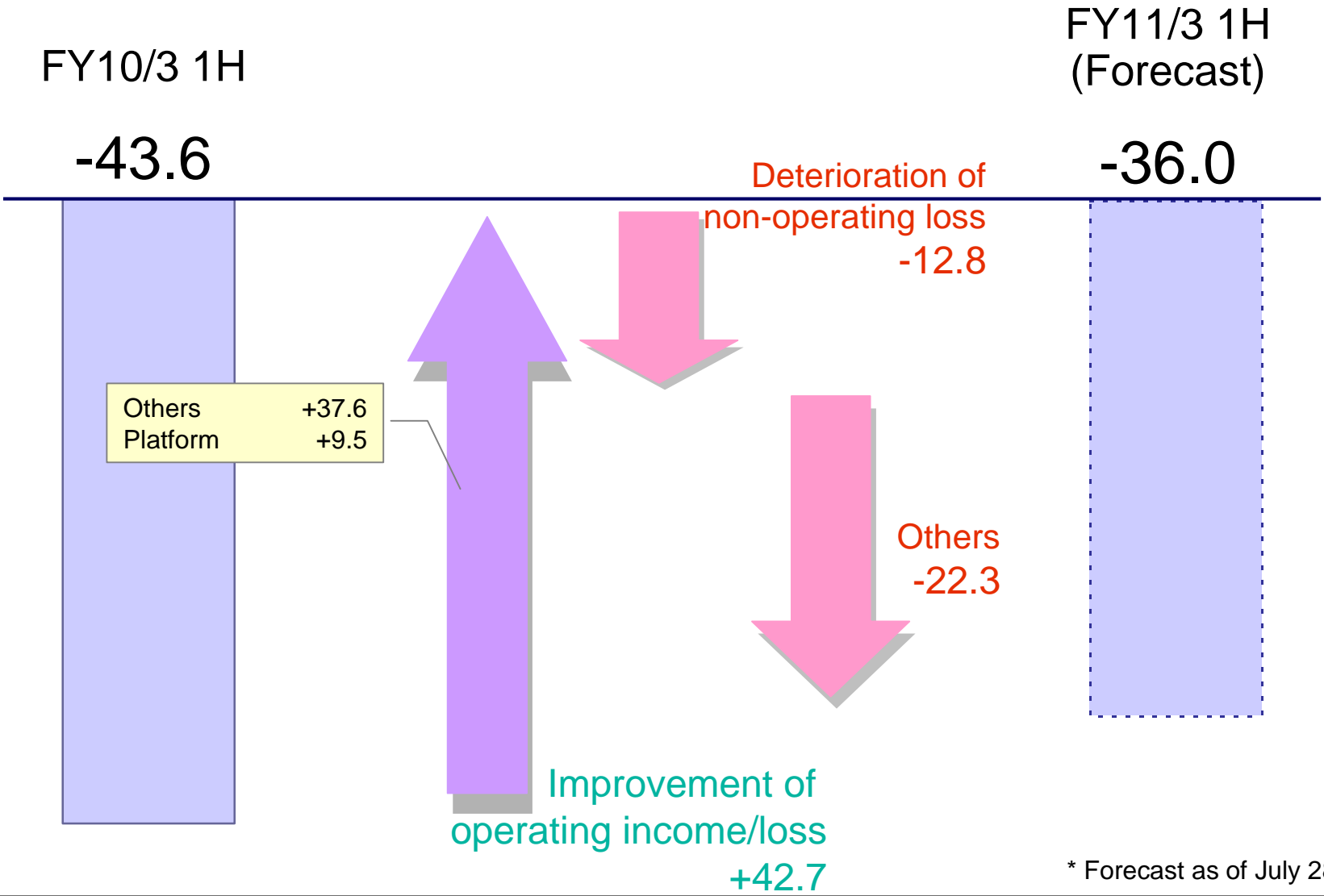
1H Forecast



\* Forecast as of July 28, 2010

# Net Income/Loss Change (Year on Year)

(Billions of Yen)

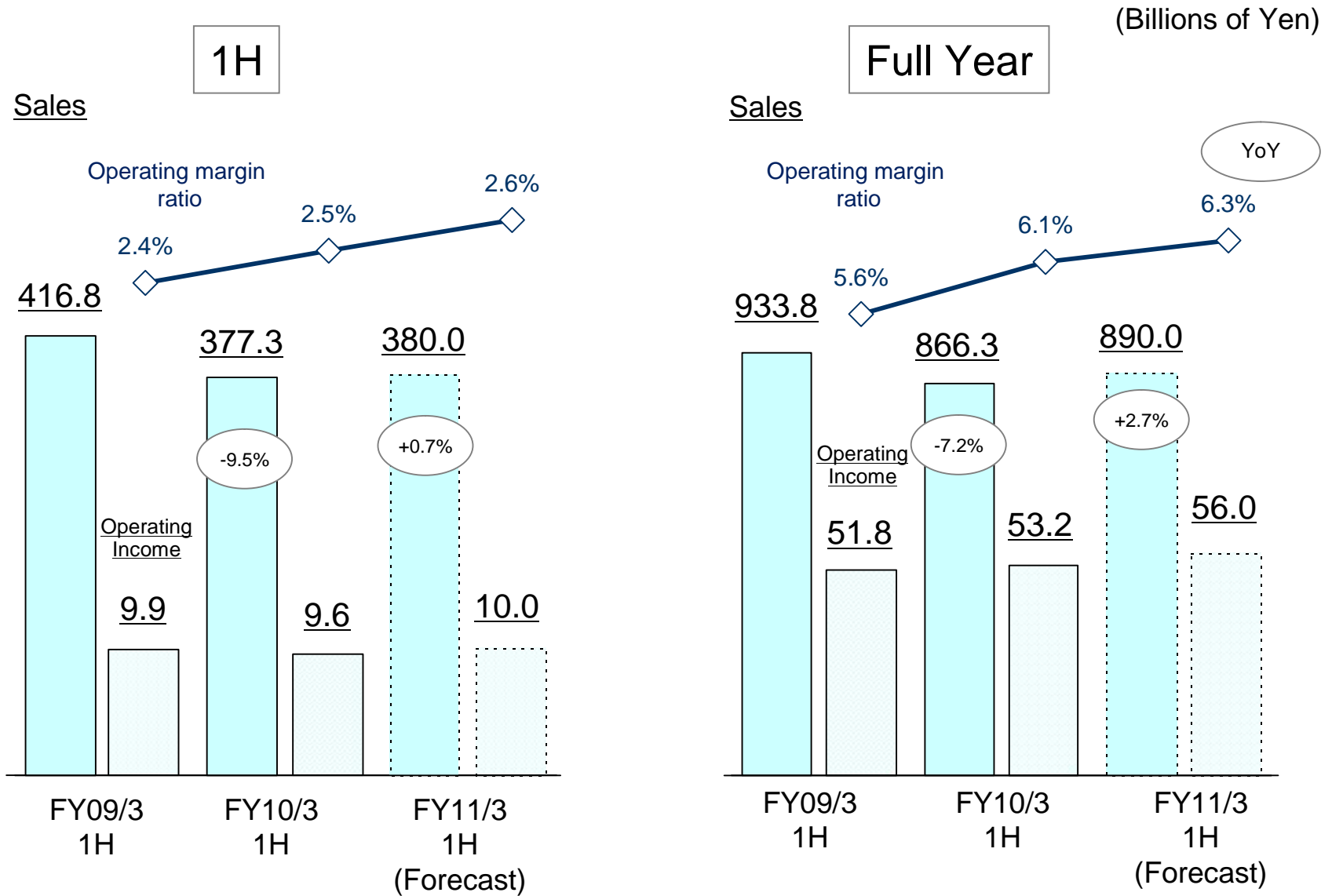


\* Forecast as of July 28, 2010

# Forecast by Segment

# IT Services Business

Forecast



\* Forecast as of July 28, 2010

# IT Services Business

(Billions of Yen)

**Sales** 380.0 (+0.7%)

△ SI Services :

Aim to increase sales through the growth of customers' strategic investment accompanied by the economic recovery

△ Outsourcing/Support Services :

Aim for a steady increase through deployment of "cloud-oriented services" and the expansion of SaaS solution menus

**Operating Income** 10.0 (+0.4)

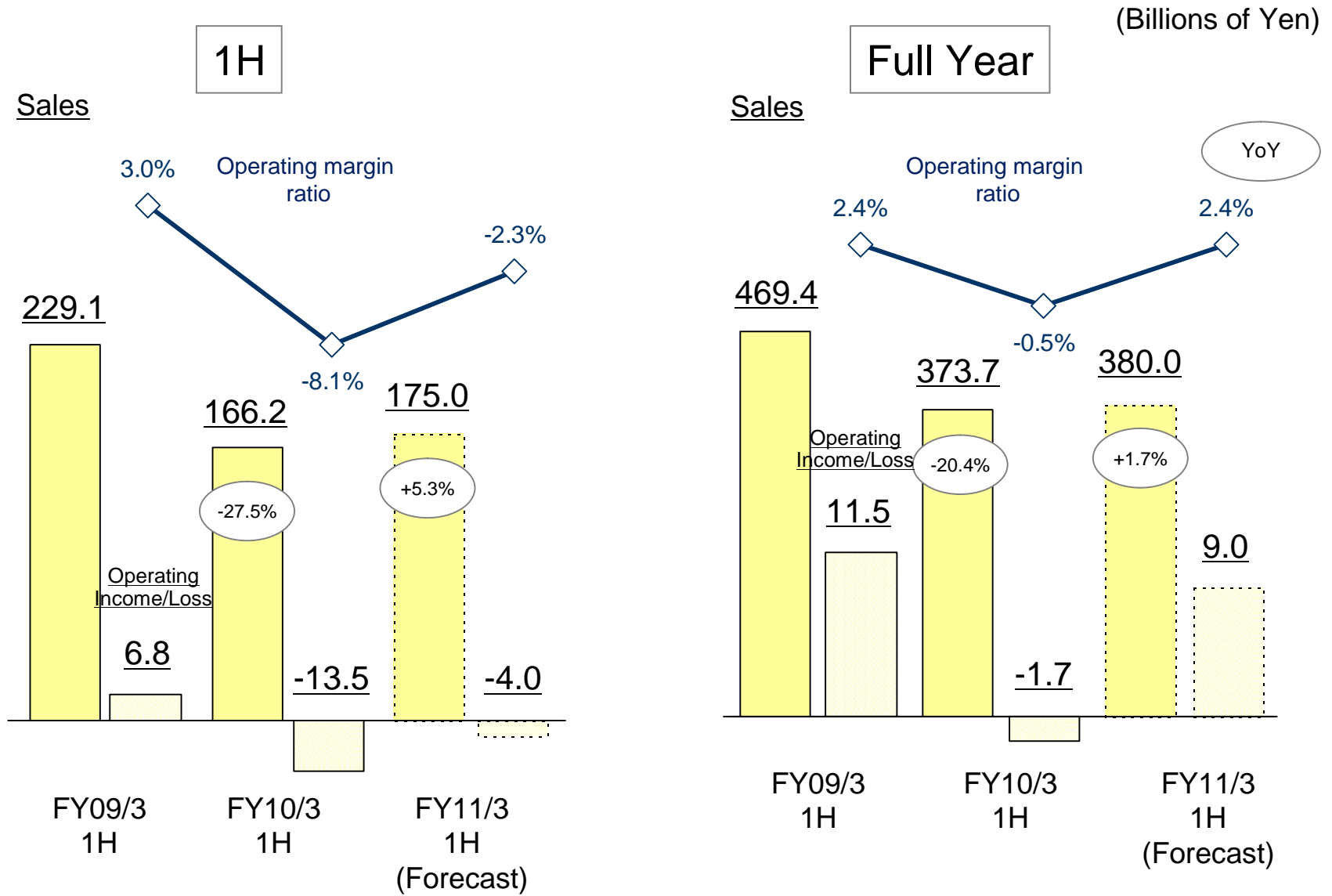
△ Expect to maintain the same level as the previous year by enhancing cost reductions and project management



\* Forecast as of July 28, 2010

# Platform Business

Forecast



\* Forecast as of July 28, 2010

# Platform Business

(Billions of Yen)

**Sales** 175.0 (+5.3%)

△ Software :

Aim to increase sales by focusing on system integration through virtualization and cloud compliant datacenter business

▷ Hardware :

Expect to remain at the same level as the previous year due to the increase in IA servers and UNIX servers

△ Enterprise Network :

Reduce costs and aim to increase sales by focusing on areas where customers are making investments and providing support for global business

Business environment will gradually improve

**Operating Loss** -4.0 (+9.5)

△ Expect to significantly improve through continued cost reductions

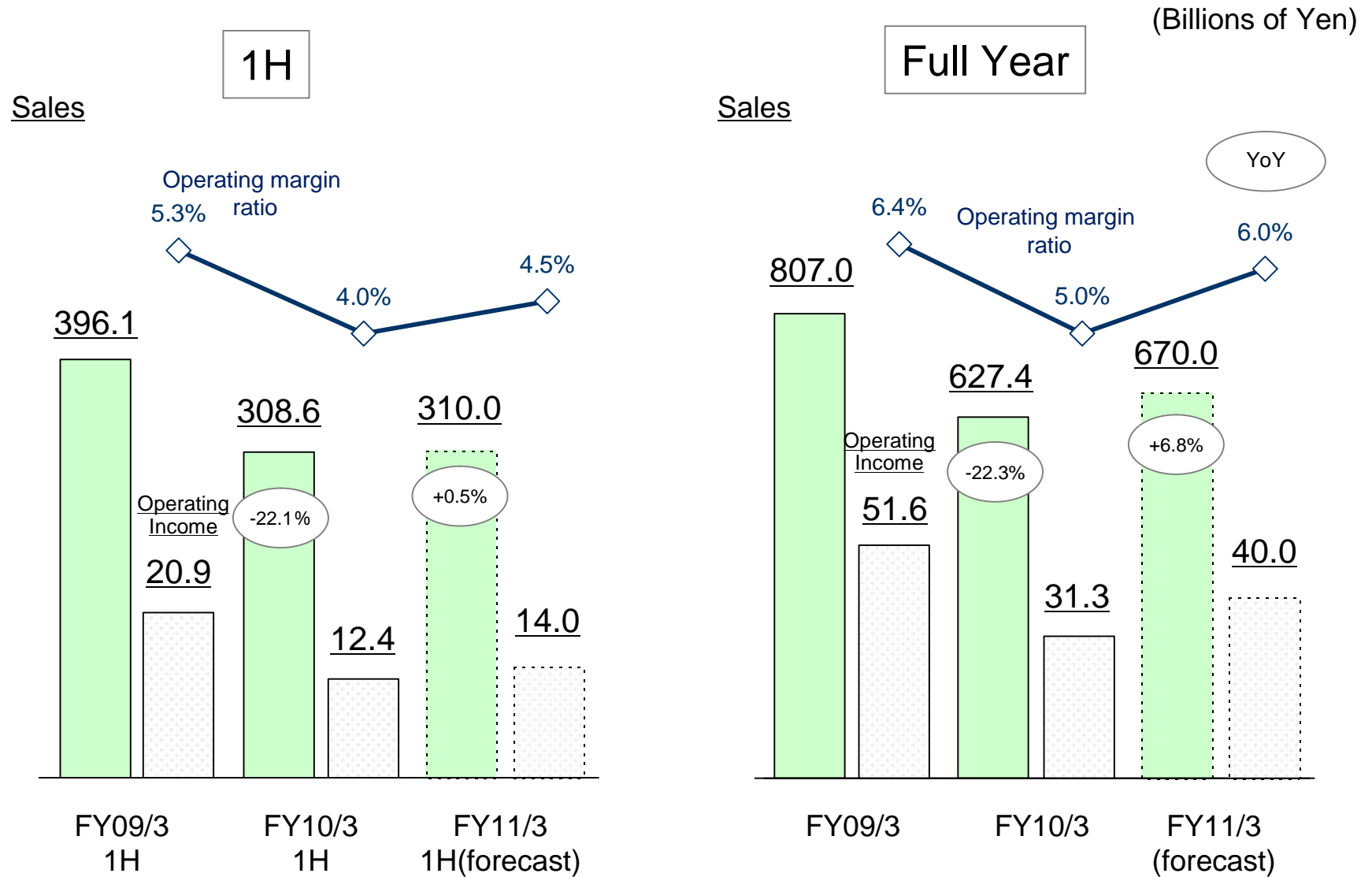


\* Forecast as of July 28, 2010



# Carrier Network Business

Forecast



\* Forecast as of July 28, 2010

# Carrier Network Business

(Billions of Yen)

**Sales** 310.0 (+0.5%)

- △ Expect to maintain the same level as the previous year by providing for data traffic increases driven by the rapid spread of smart phones and the increase in mobile subscribers in emerging countries, despite surpassing the peak of NGN investment in Japan.

**Operating Income** 14.0 (+1.6)

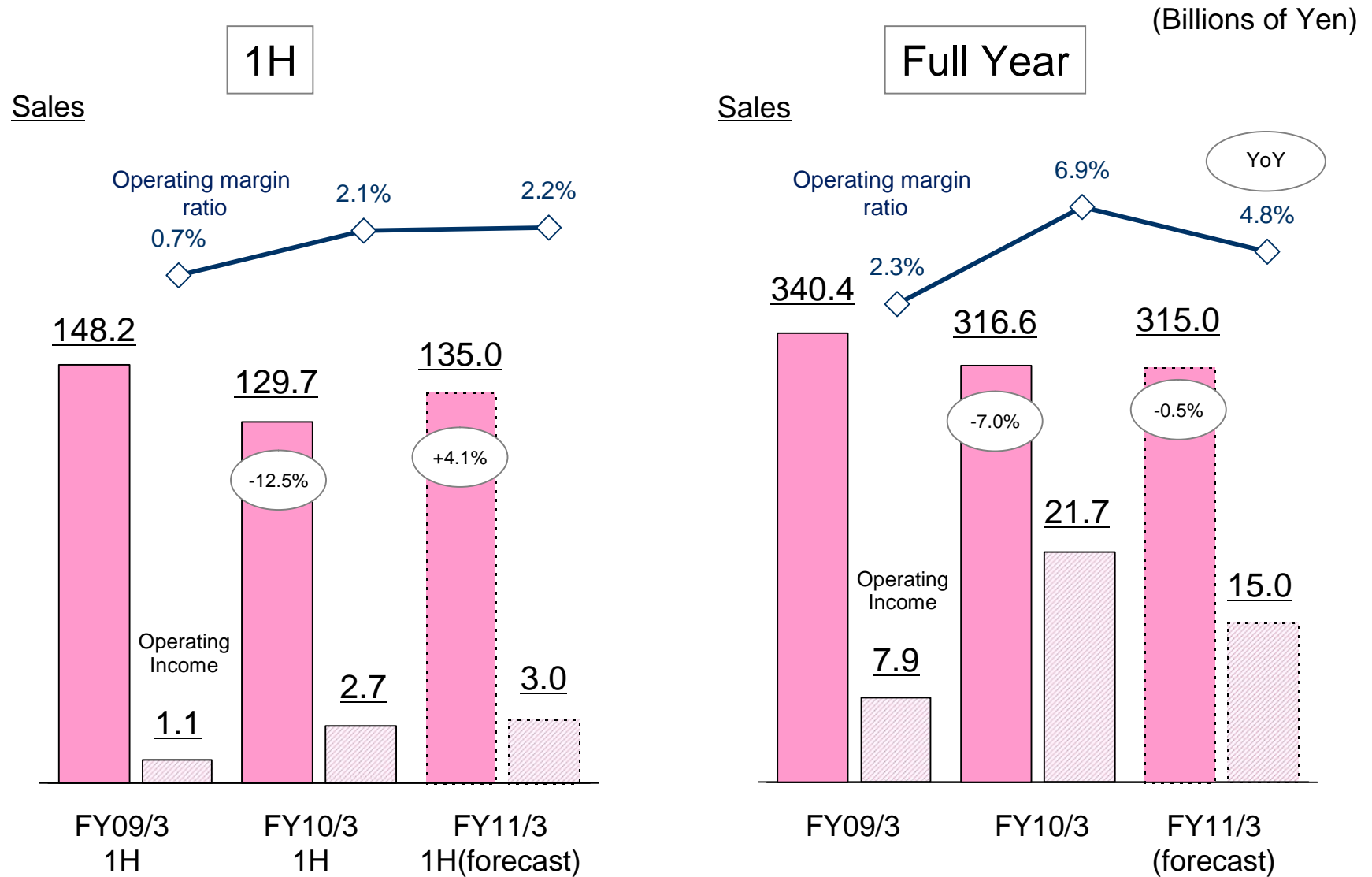
- △ Aim to increase by maintaining and strengthening a leaner earnings structure based on the cost reductions that were carried out last year.



\* Forecast as of July 28, 2010

# Social Infrastructure Business

Forecast



\* Forecast as of July 28, 2010

# Social Infrastructure Business

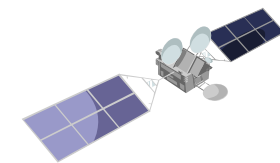
(Billions of Yen)

**Sales** 135.0 (+4.1%)

- △ Aim to increase sales in the field of social systems such as transportation and fire prevention.

**Operating Income** 3.0 (+0.3)

- △ Aim to increase through the sales improvement and cost reductions from enhanced project management.

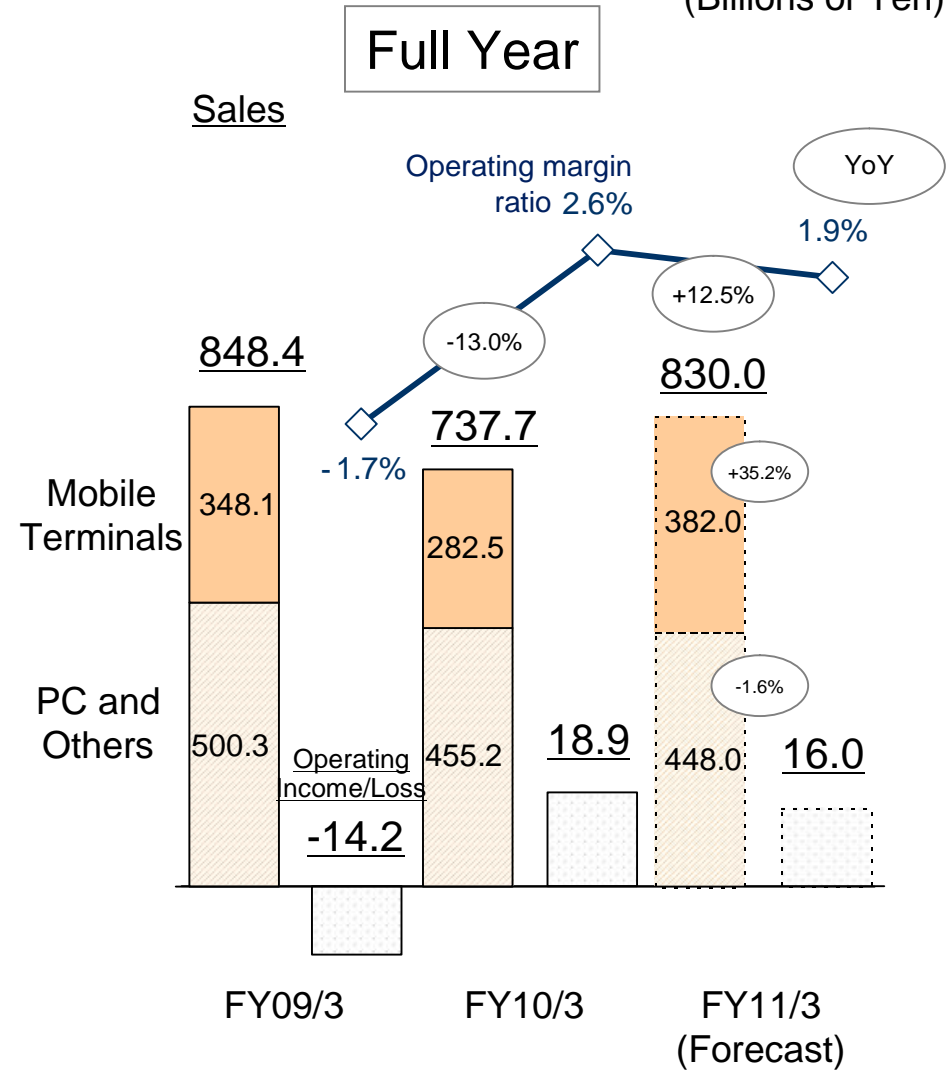
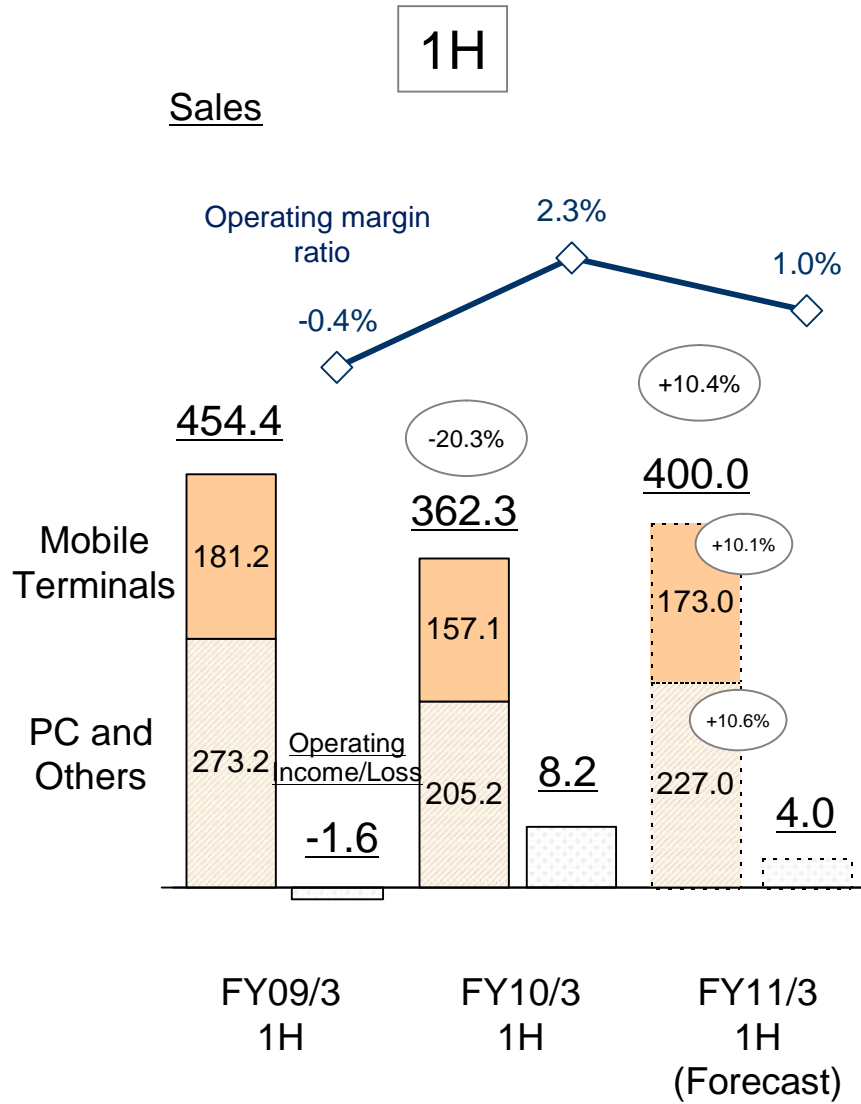


\* Forecast as of July 28, 2010

# Personal Solutions Business

Forecast

(Billions of Yen)



\* Forecast as of July 28, 2010

# Personal Solutions Business

(Billions of Yen)

**Sales** 400.0 (+10.4%)

△ Mobile Terminals :

Expect to increase due to the integration of the mobile terminal business and the promotion of new products

△ PC and Others :

Following 1Q, expect an increase from products for enterprises (PCs, displays, etc.) and high-value added PCs for consumers

**Operating Income** 4.0 (-4.2)

▽ Expect to decrease due to the development costs for new devices such as LifeTouch and smart phones, despite fixed cost reductions and greater development efficiency

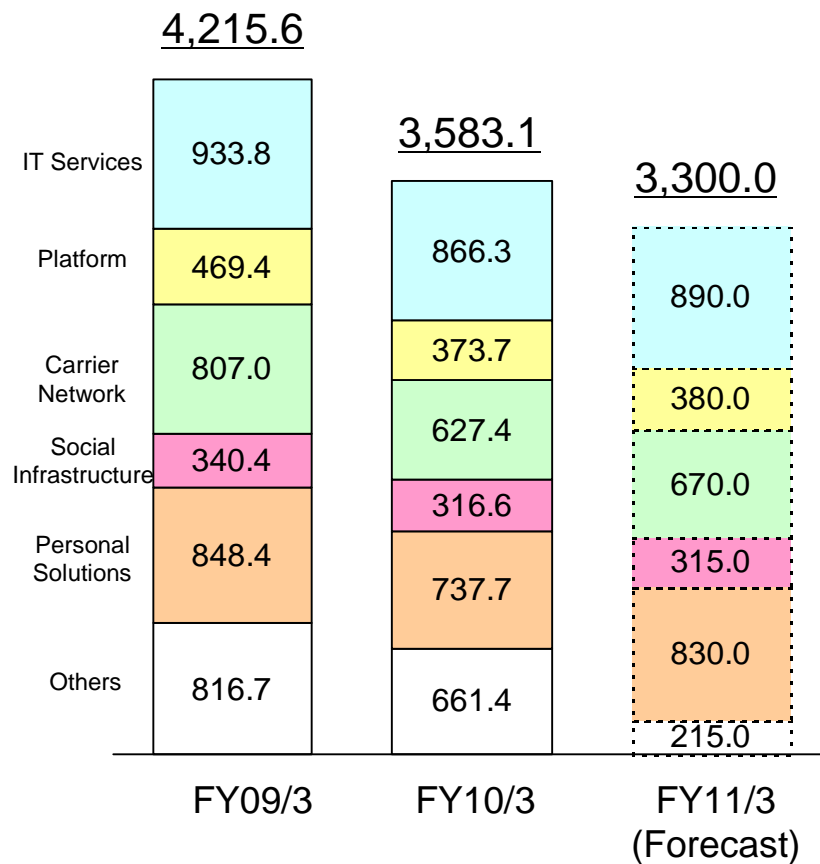


\* Forecast as of July 28, 2010

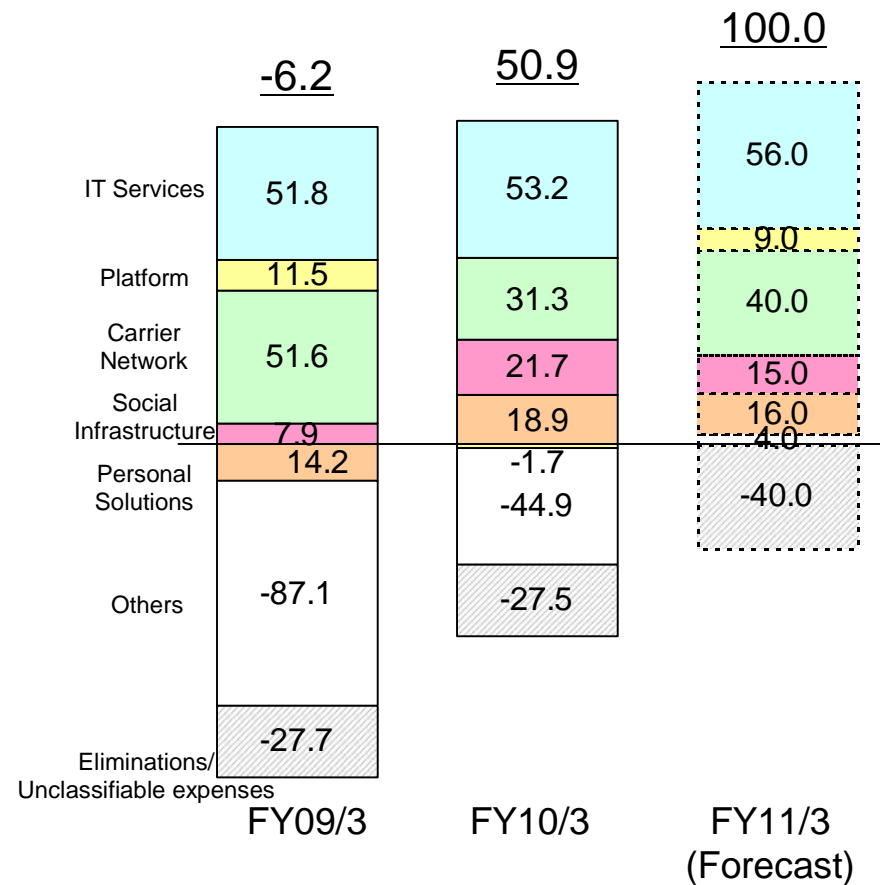
# Full Year Forecast by Segment

(Billions of Yen)

## Net Sales



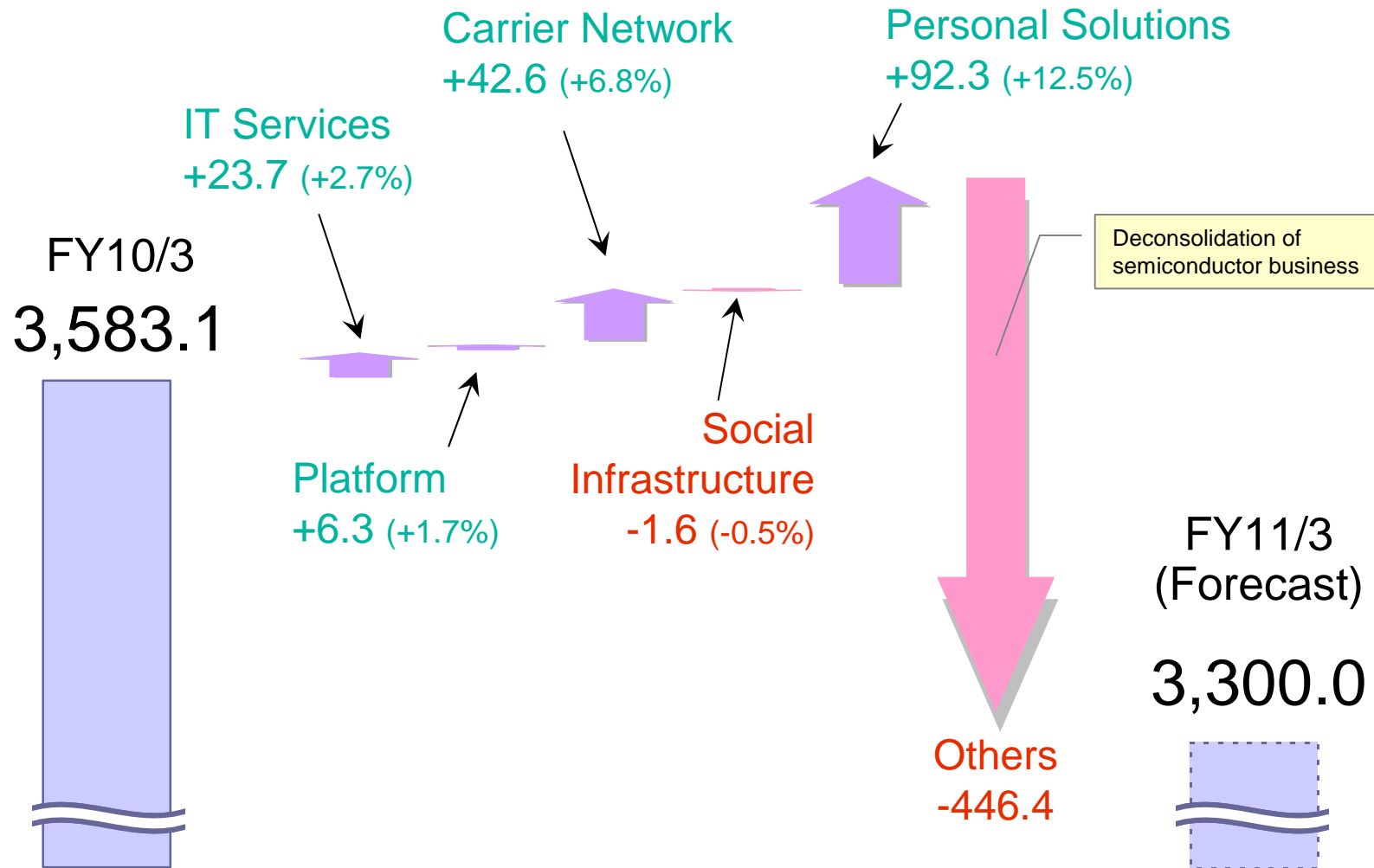
## Operating Income/Loss



\* Forecast as of July 28, 2010

# Sales Change (Year on Year)

(Billions of Yen)

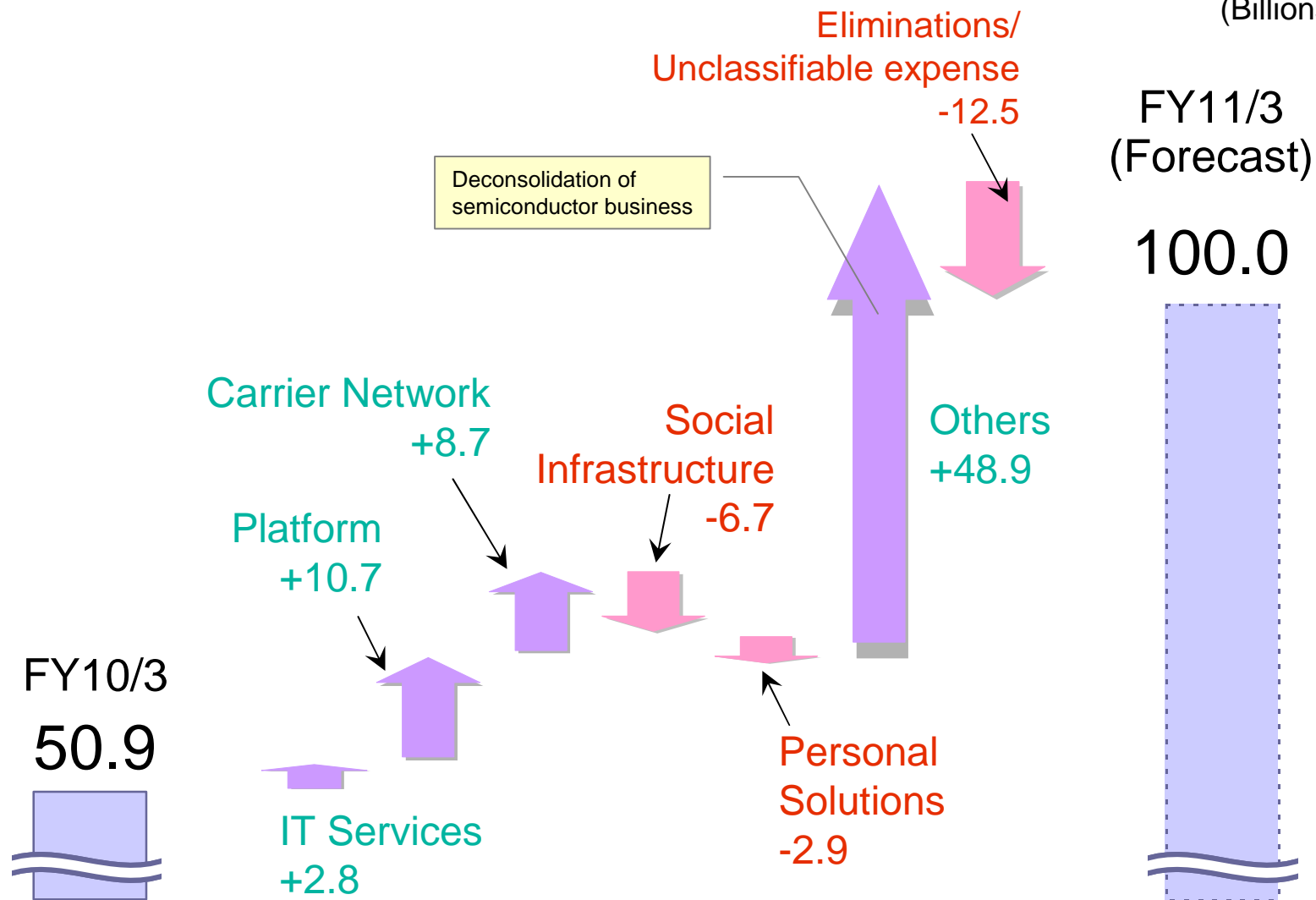


\* Forecast as of July 28, 2010



# Operating Income/Loss Change (Year on Year)

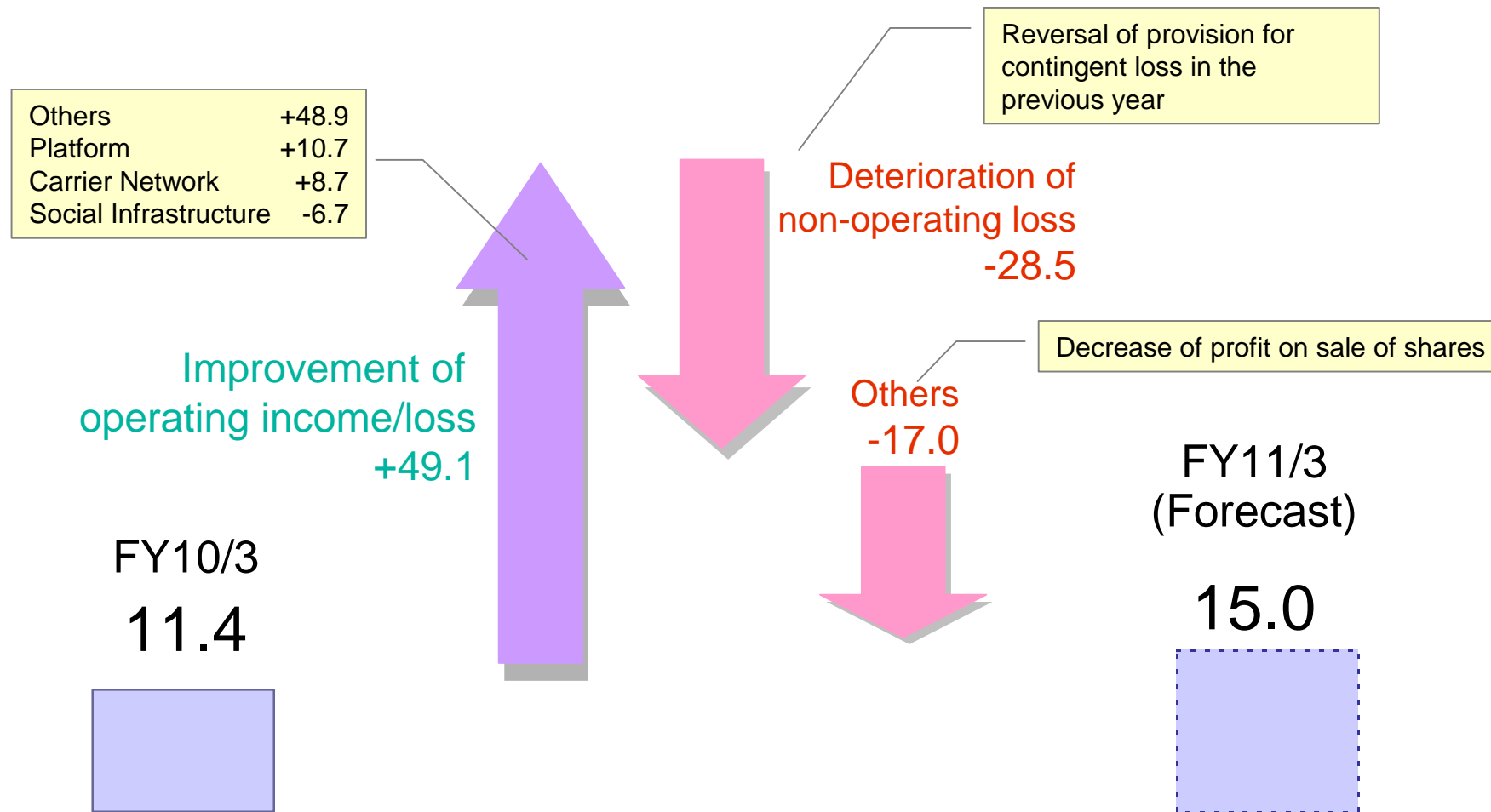
(Billions of Yen)



\* Forecast as of July 28, 2010

# Net Income/Loss Change (Year on Year)

(Billions of Yen)



\* Forecast as of July 28, 2010

# <Ref.> Financial Position Data

(Billions of Yen)

	End of Mar 2010	End of Jun 2010	Difference from Mar 2010
Total Assets	2,937.6	2,510.8	-426.8
Net Assets	931.9	843.3	-88.6
Interest-bearing debt	729.5	623.1	-106.4
Shareholder's Equity	790.9	725.6	-65.3
Equity ratio(%)	26.9%	28.9%	2.0pt
D/E ratio	0.92	0.86	0.06pt
Net D/E ratio	0.50	0.55	-0.05pt

# <Ref.> Capital Expenditures and Others

(Billions of Yen)

	FY09/3 Actual	FY10/3 Actual	YoY	FY11/3 Forecast	YoY	Difference from May 12
Capial Expenditure	103.1	83.1	-19.4%	75.0	-9.7%	0
Depreciations	133.6	111.2	-16.8%	75.0	-32.6%	0
R&D expenses	346.5	276.0	-20.3%	200.0	-27.5%	0

(Billions of Yen)

	FY10/3 1Q Actual	YoY	FY11/3 1Q Actual	YoY
R&D expenses	71.8	-21.4%	46.9	-34.7%



\* Forecast as of July 28, 2010

# <Ref.> Overseas sales

(Billions of Yen)

		1st Quarter			Major countries and regions
		FY10/3 Actual	FY11/3 Actual	YoY	
Asia	Net Sales	70.9	38.2	-46.2%	China, Chinese Taipei, India, Singapore and Indonesia
	To consolidated total (%)	9.1%	5.7%		
Europe	Net Sales	41.0	24.0	-41.4%	UK, France, Netherlands, Germany, Italy and Spain
	To consolidated total (%)	5.3%	3.6%		
Others	Net Sales	52.0	52.0	-0.1%	U.S.A
	To consolidated total (%)	6.7%	7.8%		
Total	Net Sales	163.9	114.2	-30.3%	
	To consolidated total (%)	21.1%	17.1%		

\* Sales, based on the location of customers, are classified by country or region

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